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Hydropower Investment Promotion Project (HIPP)

GEORGIA HIPP – INVESTMENT PROMOTION PLAN BASED ON TASK 3 DELIVERY

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USAID HYDROPOWER INVESTMENT PROMOTION PROJECT
(HIPP)

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IN COLLABORATION WITH BLACK & VEATCH AND PIERCE
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USAID/CAUCASUS OFFICE OF ENERGY AND ENVIRONMENT

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INVESTMENT PROMOTION PLAN BASED ON HIPPP TASK 3 DELIVERY 05/01/11~12/31/11 (UPDATED 06/23/11)

INVESTMENT PROMOTION PLAN

A detailed investment promotion plan of any value requires collaboration and agreement between various entities. The ability to leverage one activity for the benefit of others, realize synergies between and around various events, and capitalize on well-coordinated positioning are hallmarks of a value-added investment promotion plan. In the case of HIPPP and Georgia, the government and government entities operate almost exclusively on an ad-hoc basis with little macro-level planning and therefore little coordination/integration with other programs and activities. HIPPP has established a weekly coordinating meeting with the MENR and its IPD in an effort to capture benefits noted in the aforementioned text. To date, no government entity has added any activity or event or deliverable objective to HIPPP's broader plan. HIPPP will continue to drive the adoption of a vision and longer-term calendar planning with MENR, IPD, GEDF and others, in an effort to enhance value beyond what HIPPP can produce and deliver on its own.

NOTE: This is a living document that will be in perpetual evolution. Activities and events will be added, deleted, modified, expanded, etc. on a constant basis. It is therefore complete as of June 23, 2011 but will evolve from this point forward. HIPPP, IPD and GEDF will collaboratively manage this plan. It will "live" in the HIPPP Users section of the Investor Web Portal to ensure 24x7 access for USAID, MENR, IPD, GEDF and HIPPP.

SCHEDULE

This schedule is built on Task Order Deliverables, but also captures activities initiated by GoG entities – some of which HIPP has no control over (Economist Government Roundtable for instance). Relevant GoG activities known to HIPP are included to present a more comprehensive view of promotional activity under way thru HIPP, MENR, GEDF and others. This document presents an illustrative view of certain Task 3 activity and is not intended as an all-inclusive overview of HIPP activity.

VARIABLES

Variables impacting this schedule are many, and they are largely outside HIPP's control. Some of these include MENR and GEDF commitment, MENR and GEDF scheduling changes and challenges, unknown MENR and GEDF engagements and activities, uncoordinated activities undertaken by GoG entities outside HIPP's awareness, etc.

KEY ASSUMPTION

As noted throughout the following plan, implementation and execution is conditioned upon USAID approval and funding.

BUDGET

Cost estimates are based on available knowledge and/or experience. Costs are intended to be representative of actual expenses but cannot be guaranteed until final (tickets purchased, venue contracts signed, travel booked and confirmed, publication/printing contracts signed, etc). Figures listed are costs to HIPP and do not reflect costs incurred by any GoG entity.

MESSAGING

Messaging falls into two categories: 1) global messaging used by a wide range of presenters, and 2) audience specific messaging developed for an identified objective or audience. Global messaging is consistently and broadly used by GoG at this time (Example: Ministry of Energy at EU Energy Commission re Georgia Hydropower Sector). Audience specific messaging will be developed to convey explicit or precise information at an appropriate time (Example: Investor "pitch" re a specific offering, or issue specific messaging to multilaterals, etc.).

SCHEDULE OF ACTIVITIES

| | | | | | | | |
|---------------|---|--|--|-----------|--|--|---|
| | 20 | 21 REFF – Conference NYC | 22 REFF – Conference NYC | 23 | 24 *HIPP Public Awareness Workshop | 25 | 26 |
| July | 27 *London Investor Visits (GEDF/MENR) | 28 *FT Global Energy Leaders Summit 2011 (London) (GEDF/MENR) | 29 *FT Global Energy Leaders Summit 2011 (London) (GEDF/MENR) | 30 | 1 | 2 | 3 |
| | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 11 | 12 | 13 | 14 | 15 MENR – Hydro Public Awareness Conference - Kobeleti | 16 MENR – Hydro Public Awareness Conference - Kobeleti | 17 |
| | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| | 25 | 26 | 27 | 28 | 29 | 30 MENR - public awareness conference for NGOs - tbd | 31 MENR - public awareness conference for NGOs - tbd |
| August | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | 8 | 9 | 10 | 11 | 12 | 13 | 14 |

| | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| September | 29 | 30 | 31 | 1 | 2 | 3 | 4 |
| | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | 19 USA – Road Show | 20 USA – Road Show | 21 USA – Road Show | 22 USA – Road Show | 23 USA Road Show | 24 USA – Road Show | 25 USA – Road Show |
| October | 26 USA – Road Show | 27 USA- Road Show | 28 USA – Road Show | 29 USA – Road Show | 30 USA – Road Show | 1 USA == Road Show | 2 |
| *FT - GoG/PM Promotional Conference Singapore (Hydro conference marketing) | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| | 24 | 25 | 26 | 27 | 28 | 29 | 30 |

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|---|-----------|-----------|-----------|--|-----------|-----------|-----------|
| | | | | | | | |
| November | 31 | 1 | 2 | 3 | 4 | 5 | 6 |
| | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | 14 | 15 | 16 | 17 *Economist Conferences Tbilisi Summit – 3 rd Business Roundtable with the Government of Georgia (PM's office) | 18 | 19 | 20 |
| | 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| December | 28 | 29 | 30 | 1 | 2 | 3 | 4 |
| *Georgia Hydropower Investor Conference <i>tbd</i> | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| | 26 | 27 | 28 | 29 | 30 | 31 | |
| Pending Dates | | | | | | | |

| | |
|--|---|
| | Meeting with WB – Tbilisi – July 6 th |
| | Statkraft & GEDF working session re new PPA – Dusseldorf – Mid July |

| Task 3 Outreach & Promotion | Activity | Date | Comments | Key Assumptions | HIPP Role | Goal | Budget |
|--------------------------------|---|-----------------------|--|--|---|--|---|
| | | | | | | | |
| | FT Global Energy Leaders Summit 2011 (London) | Jun 28-29 | <ul style="list-style-type: none"> *Min Khetaguri and A Mamatelashvili to attend *Strategic Sponsorship opportunity *C-level investment promotion *GE Hydro Investor Conference promotion *Coordinated with London Investor Road Show | <ul style="list-style-type: none"> *USAID approves HIPP funding for conference sponsorship *USAID approves GEDF/HIPP/IPD (1) travel (Mamatelashvili; Chikovani; IPD) | <ul style="list-style-type: none"> *Coordinator *On-site logistics *Collateral *Presentation support *Investor meetings *Engagement coordination | <ul style="list-style-type: none"> *Advertisement *Branding *C-level investment promotion *GE Hydro Investor Conference promotion *Coordinated with London Investor Road Show for synergy | \$74,560 <i>Refer to Event Brief</i> |
| | Pre-conference promotion (Asia) thru FT/GoG conference in Singapore | Oct | *PM led promotional conference in Singapore; high visibility promotion opportunity for FT Hydropower Investor Conference in GE | *FT Conference is agreed and approvals are obtained | <ul style="list-style-type: none"> *Interlocutor (FT/GoG/GEDF/ME NR/other) *Presentation/collateral support | *GE Hydro Investor Conference promotion with defined audience | <i>n/a unless HIPP staff provide on-site support or other participation is funded thru HIPP</i> |
| | Georgia Hydropower Investor Conference | Dec 7-8 <i>Tbd</i> | <ul style="list-style-type: none"> *Planned 2 day event; opening reception hosted by MENR *Invitation-only dinner for select CEOs hosted by PM *GEDF confirmed; agenda to be developed | <ul style="list-style-type: none"> *MENR and PM concurrence *Date confirmation *Recommend engagement of FT Conferences *USAID conference sponsorship opportunity | <ul style="list-style-type: none"> *Interlocutor and coordinator *Agenda development *Venue planning and contracting * Logistics *F&B and events *Delegate materials *Presentation materials for GoG | *Promotion of GE hydropower investment opportunities | \$325,000 (GBP200,000) <i>Pending final contract with FT Conferences</i> |

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|------------------|---|---------------------|--|---|--|---|------------------------|
| | | | | | officials *Promotional materials/collateral *FT advertising coordination | | |
| | | | | | | | |
| <i>Workshops</i> | Public Awareness Workshop 5 | Week end Jun 24 | *Solicit public feedback re HPP development for inclusion in pre-feasibility | *USAID approval of hydropower database and selection criteria *USAID approval of event | *Producer and coordinator | *Public education around potential site development | \$2,500 |
| <i>Retreats</i> | Media and NGO capacity building workshops 2 | Mid and End of July | * conducting the workshops separately for media and NGO reps was decided to ensure a better comprehension by each sector | Approved by USAID | *Producer and coordinator | strengthen and promote cooperation between the energy sector and media representatives to foster timely and accurate dissemination of information on developments in the sector. Facilitate cooperation between NGO and Gouvernement sectors; Increase NGO involvement in energy related developments by providing them with better and comprehensive on hydropower developments | \$16,098.40 n/a |
| | | | | | | | |
| <i>Symposia</i> | See Conferences, Workshops, Road Shows, Meetings, Conferences | | Def: Sym·po·si·a Meetings or conferences to discuss a topic | n/a | n/a | n/a | n/a |

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|-------------------|---------------------------------|-----------------------------|--|--|---|--|--|
| | | | | | | | |
| <i>Road Shows</i> | London Investor Visits | Jun 27-Jun 30 | *GEDF investor visits coordinated with FT Global Energy Leaders Summit June 28-29 | *USAID approves HIPP funding for GEDF/HIPP travel (Mamatelashvili; Chikovani) | *Product and technical materials *On-site logistics *Collateral development/preparation *Presentation development *Meeting planning, appointments, support & coordination | *Investor visits re GE hydro sector opportunities *Industry/financial sector visits re GE energy sector develop potential and project finance opportunities | n/a <i>See FT Global Energy Leaders Conference 2011</i> |
| | US Road Show | Last two weeks of September | *MENR driver *US EXIM Bank *OPIC *IFC *Institutional Investors *Industry Sector Presentations | *Date confirmation *US scheduling *USAID approves HIPP funding for Road Show *USAID approves GEDF/HIPP travel (Mamatelashvili; Chikovani) | *Producer and coordinator *On-site logistics *Collateral development & distribution *Presentation development | *Multilateral visits re project finance and overview of GE hydro development status/potential *Institutional investor visits re GE hydro sector *Industry visits re GE energy sector development potential *US media calls or media day re GE hydro development and USAID support | <i>Tbd</i> unqualified estimate \$50,000 |
| <i>Meetings</i> | MENR & Teas | July 11-12 pending | *Inter-governmental discussions | n/a | *Available presentation/collateral support may be required (pending MENR request) Support not requested | *Cross border issues discussion | n/a |
| | Turkey - 12 one-on-one Investor | <i>Tbd</i> | *GEDF, MENR, HIPP | *USAID approves HIPP funding for | *HIPP scheduling, coordination, | *GE hydro investment potential and specific run-of- | n/a <i>see Turkey Road</i> |

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|---|--|--------------------------------|--|---|--|--|--|
| | Meetings | | | Road Show and GEDF/HIPP travel (Mamatelashvili; Chikovani) | participation | river opportunities | Show |
| | Statkraft & GEDF | <i>Tbd – Pending for July</i> | *Collaborating on new PPA | *Pending calendar coordination | *Coordinator and facilitator | *Collaborative effort to produce a more valuable and realistic PPA format for GE | n/a |
| | Donor and IFI coordinating meeting | <i>Tbd</i> | Discussion of shared interest areas and areas of collaboration | Anticipated Sept visit by Wolrd Bank | *Coordinator and meeting facilitator | *Effort to explore IFC funding situation for GE and better leverage multiple donor's activities in GE and capture synergies (ie. Capacity building; training, etc.) | n/a |
| | | | | | | | |
| <i>Retreats</i> | Media and NGO Capacity Building workshops (2) | <i>July15-16 July30-31</i> | * Meida workshop will be followed by the workshop for NGOs to analyse the hydropower investment possibilities deeply | | Coordinator *On-site logistics *Presentation support *Engagement coordination | Media workshop is targeted to increase of knowledge and understanding of the media to cover issues related to the energy sector and scoping efforts for new hydropower projects, so the public is well and correctly informed. Another event for NGOs is aimed at addressing NGOs interested in the social, economic and environmental issues related to new hydropower projects | Media Workshop |
| | | | | | | | |
| Other activities to promote investment in Georgia | Targeted advertising around conference and other positioning for GEDF & MENR | <i>Tbd</i> | *In support of specific events/positions and targeted to identified audience (sector investors, other); Ex: FT Global Energy Leaders Summit; FT Georgia Hydropower Investor Conference | *As events confirmed *FT advertising around Global Energy Leaders Summit *FT advertising in support of GE hydro investor conference | *Planner *Scheduler *Negotiator | *To attract attention to events that feature GE and/or promote GE event activity in and out of the country | n/a <i>Rolled into conference positions/contracts</i> |

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|--|--|-------------|--|---|---------------------------------|---|---|
| | Exploring campaign style advertising for GE hydropower | n/a | CANCELLED | *Funding resources *This is a cost-prohibitive objective | *Campaign developer *Manager | n/a | n/a |
| | Economist Conferences <i>The Tbilisi Summit – 3rd Business Roundtable with the Government of Georgia</i> | Nov 17 | *GoG initiated conference with a 35 min Hydropower panel that includes the Minister (pending); this is not a hydropower conference; audience may or may not have value for HIPP objectives | *HIPP discovered this conference on May 03 | *Presentation (possible) | *Effort to weave run-of-river opportunities hydro opportunities into the Minister's presentation | n/a |
| | | | | | | | |
| Subtask 3-A | Activity | Date | Comments | Key Assumptions | HIPP Role | | |
| Production of Promotional Materials | | | | | | | |
| | | | | | | | |
| | Project Profiles | Ongoing | | *USAID approval | *Producer and distributor | *Promotional materials providing 2-page snapshot of upcoming investment opportunities at specific sites | n/a Produced in-house and electronically |
| | Information Memorandum | Ongoing | *To USAID pending B&V content completion – 2 completed to date – Tsageri & Lenteki | *IM Part 2 and 3 hinges on B&V delivery of 2 pre-feasibility studies *USAID and MENR turn-around time critical to GoG use in upcoming events and investor meetings | *Producer | *Key investor collateral defining the market, the legal structure, the offering, the process, etc. | <i>Tbd</i> Possible production and binding costs for professional presentation <i>tbd</i> , otherwise produced in-house and electronically |
| | MENR web content | Continuous | *English pages only | *On hold – per MENR during | *Producer | *Critical MENR English web pages are corrected and | n/a |

| | | | | | | | |
|--|---|----------------|---|--|-----------------------------|---|--|
| | updating | | | website redesign | | updated – they are seriously compromised at this time | Time and labor only |
| | Black Sea Transmission Network Project Vol 3 | Q4 2011 | *3 rd Edition update of this promotional product | *As appropriate and hinged upon substantive change | *Producer *Distributor | | \$900 (design) \$1,139 (print) |
| | Press Releases | <i>Ongoing</i> | *As appropriate | *Something worth announcing | *Producer (various issuers) | *High value information dissemination | <i>Tbd</i> Costs should be incurred by issuer |
| | | | | | | | |
| Subtask 3B Promotional Events | Activity | Date | Comments | Key Assumptions | HIPP Role | | |
| | | | | | | | |
| See Task 3 above | Objectives, activities, outputs captured Task 3 | | | | | | |

GLOBAL MESSAGING

GEORGIA

- Georgia is a country situated at the juncture of Eastern Europe and Western Asia between the Black Sea, Russia, Armenia, Azerbaijan, and Turkey.
- Its unique geographical setting positions the country well as a transit hub and a regional exporter.
- Electricity generation in Georgia is dominated by hydropower plants. Thermal power generation and electricity imports are steadily declining.
- TPPs are expected to continue to lose their competitiveness to more cost efficient HPPs. The long-term energy policy of the Georgian government envisages a near full substitution of TPPs with HPPs.

OPPORTUNITY (Hydropower)

- The Government of Georgia is inviting technically and financially qualified domestic and international developers to invest in its hydropower industry.
- Less than 25% of an estimated potential 40 billion kWh of economically feasible hydropower has been harnessed in the country.
- Electricity generation in Georgia is dominated by hydropower plants. Thermal power generation and electricity imports are steadily declining. TPPs are expected to continue to lose their competitiveness to more cost efficient HPPs.
- The long-term energy policy of the Georgian government envisages a near full substitution of TPPs with HPPs.

ECONOMICS

- Georgia has created and continues to strengthen fundamental policies that reflect a forward looking liberalized economic environment for the country.

BANKING SECTOR

- Georgia has a two-tiered banking system.
- The National Bank of Georgia (NBG) acts as a central bank, regulating banking activities, issuing licenses and supervising all commercial banks.
- The NBG is independent from legislative and executive authorities, within the limits of the rights granted under the Organic Law of Georgia on The National Bank of Georgia.

GEORGIAN POWER MARKET

- Over the last 20 years Georgia's power market has evolved from a vertically integrated single buyer utility, to a competitive regional power market model.
- The Georgian wholesale power market operates on a bilateral contract basis, and balancing is done by the Electricity System Commercial Operator (ESCO).
- Georgia is a net exporter of power, with sales to Russia and Armenia, and swap arrangements with Turkey and Azerbaijan.
- Power export is conducted by and through different market entities. Any Georgian entity can export power from Georgia; no export license is required.
- The retail power market consists of three distribution companies – which capture both distribution and retail sales.

- All three are owned and operated by non-Georgian electricity sector investors.
- Some power generation is owned directly by the distribution companies, and one has a direct energy swap arrangement with a power utility in Turkey.
- The wholesale power market is a direct contract market with a wholesale market entity, ESCO, supporting wholesale trade.
- As new hydropower plants enter the market, they will have the opportunity to sell to ESCO, qualified consumers (industrial consumers), network operators (to cover energy losses), or to export power directly or sell to an exporter.
- Hydropower plants less than 13 MW can contract to sell power in both the wholesale market as well as to any retail consumer.
- Hydropower plants greater than 13 MW built after August 1, 2008, have been fully deregulated and are entitled to trade electric power at deregulated tariffs to qualified consumers, ESCO and for export.
- Georgian legislation allows that retail consumers above 7 GWh annual electricity purchases can negotiate power agreements with power producers and importers. There are eight qualified retail consumers and each purchases power from power producers.

HV CONNECTION TO THE THURKISH GRID

- The Government of Georgia launched the Black Sea Transmission Network Project (BSTNP) in 2010, which is the largest infrastructure project currently under construction in Georgia.
- The project will add 300 km of high-voltage transmission line across southern Georgia – connecting the Georgian transmission grid to the Turkish grid by March 2013.

REGIONAL ENERGY MARKETS

- Over the past several years, Georgia has been a net exporter of electricity, and economic growth within the greater Caucasian region will most likely accelerate this trend.
- Rapidly expanding markets throughout Turkey will, for example, require its own domestic energy sector to double production by 2020.
- Other contiguous countries (Armenia, Azerbaijan, Russia and Turkey) may continue to look to Georgia for power as consumption outstrips their available domestic supply.

LEGAL ENVIRONMENT

- Georgia's legal system is civil law-based.
- The Civil Code is the foundation for all of the country's civil legislation. It also forms the basis for corporate structures as well as the right to ownership.
- The Civil Code guarantees freedom of contract and provides guarantees against arbitrary interference in private matters and freedom of entrepreneurial activity.
- Under the Civil Code, foreign investors hold the same rights and obligations, as do Georgian citizens and legal entities.

USAID Hydropower Investment Promotion Project (USAID-HIPP)

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